

**A Message From Social Security:**

The retirement earnings test has changed for people who will be age 65 or older after 1999. We are revising this publication to reflect changes in the retirement earnings test. In the meantime, information on how the change affects the retirement test can be found at <http://www.ssa.gov/retire/whileworking.htm>

# Social Security

Retirement  
Benefits



## Who Should Read This Booklet?

If you are thinking about retiring, you should read this booklet. The decisions you make about your retirement will be some of the most important decisions you'll ever make. And because Social Security is part of the retirement plans of almost every worker in the United States, you will find information in this booklet to help you plan for those years. You'll find explanations of how to qualify for Social Security benefits, how your earnings and age affect your benefits and how to choose your retirement date. You'll also find information about Social Security's future and where your Social Security tax dollars go.

Your monthly benefits are only one part of your retirement. When you retire, your lifestyle will probably change. You may be faced with decisions about such things as planning additional leisure time or making a residence change. If you want help with other aspects of retirement, you may want to contact your local Area Agency on Aging. You'll find the number in your telephone directory.

**Please Note:** This booklet provides a general overview of Social Security retirement benefits. The information it contains is not intended to cover all provisions of the law. For specific information about your case, contact Social Security.

Although this booklet contains information about retirement benefits, there's more to Social Security than retirement. It's a comprehensive package of protection that also provides benefits to workers and their dependent family members if they become disabled or die. To learn more about the other benefits Social Security provides, call and ask for a copy of *Social Security—Understanding The Benefits* (Publication No. 05-10024).

Social Security's Toll-Free Number  
**1-800-772-1213**  
Internet: [www.ssa.gov](http://www.ssa.gov)

## Social Security's Future...And Yours!

Many people wonder where their Social Security tax dollars go. Generally, out of every dollar you pay in Social Security taxes:

- 70 cents goes to a trust fund that pays monthly benefits to retirees and their families and to widows, widowers and children of workers who have died;
- 19 cents goes to a trust fund that pays for the health care of all Medicare beneficiaries; and
- 11 cents goes to a trust fund that pays benefits to people with disabilities and their families.

Your Social Security taxes also pay for administering Social Security. The administrative costs are paid from the trust funds described above and are **less than one cent** of every Social Security tax dollar collected.

Money not used to pay benefits and administrative expenses is invested in U.S. government bonds, generally considered the safest of all investments. The government uses the money it has borrowed from Social Security—just as it uses money you may have invested in savings bonds—to pay for all the services and projects it provides for our citizens. And just as the government pays you interest on your bonds, so will it make good on its obligations to Social Security.

You also need to know about Social Security's financial stability. Each year, Social Security's Board of Trustees reports on the financial status of the Social Security program. These reports are valuable tools for evaluating and ensuring the economic health of the Social Security system. The latest report indicates that the Social Security system, as currently structured, will be able to pay benefits well into the next century. This means Congress has the time it needs to make changes to safeguard the program's financial future.

You can count on Social Security being there when you need it.

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## Part 1—About Your Retirement Benefits

### **How Do You Qualify For Retirement Benefits?**

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When you work and pay Social Security taxes (called FICA on some pay stubs), you earn Social Security credits. Most people earn the maximum of four credits per year.

The number of credits you need to get retirement benefits depends on your date of birth. If you were born in 1929 or later, you need 40 credits (10 years of work). People born before 1929 need fewer than 40 credits (39 credits if born in 1928; 38 credits if born in 1927; etc.).

If you stop working before you have enough credits to qualify for benefits, your credits will remain on your Social Security record. If you return to work later on, you can add more credits so that you qualify. No retirement benefits can be paid until you have the required number of credits.

If you're like most people, you will earn many more credits than you need to qualify for Social Security. These extra credits do not increase your Social Security benefit. However, the income you earn while working will increase your benefit, as you will learn in the next section.

### **How Much Will Your Retirement Benefit Be?**

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Your benefit amount is based on your earnings averaged over most of your working career. Higher lifetime earnings result in higher benefits. If you have some years of no earnings or low earnings, your benefit amount may be lower than if you had worked steadily.

Your benefit amount also is affected by your age at the time you start receiving benefits. If you start your retirement benefits at age 62 (the earliest possible retirement age), your benefit will be lower than if you waited until a later age. This is explained in more detail on Pages 4 and 5.

***Here's An Important Point:*** Social Security will give you a personalized benefit estimate at your request. Call our toll-free telephone number, **1-800-772-1213**, to ask for a Form-7004, ***(Request for Earnings and Benefit Estimate Statement)***. Within four to six weeks after you complete and return the form to Social Security, you will receive a statement of your earnings record and estimates of your Social Security benefits for early retirement, full retirement and retirement at age 70. We'll also give you an estimate of the disability benefits you could receive if you become severely disabled before you're eligible for full retirement, as well as the amount of benefits payable to your spouse and other eligible family members due to your retirement, disability or death. If you're age 60 or older, you can get an estimate of your retirement benefits by calling our toll-free number. And, if you have access to the Internet, you can request a ***Personal Earnings and Benefit Estimate*** from SSA's web site at [www.ssa.gov](http://www.ssa.gov). Your statement will be mailed to you within four weeks.

## **Full Retirement Age**

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The usual retirement age for people retiring now is age 65. Social Security calls this "full retirement age," and the benefit amount that is payable is considered the full retirement benefit.

Because of longer life expectancies, the full retirement age will be increased in gradual steps until it reaches age 67. This change starts in the year 2003, and it affects people born in 1938 and later.

Look at the table on Page 5 to find your full retirement age.

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## Early Retirement

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You can start your Social Security benefits as early as age 62, but the benefit amount you receive will be less than your full retirement benefit.

If you take early retirement, your benefits will be permanently reduced based on the number of months you will receive checks before you reach full retirement age. If your full retirement age is 65, the reduction for starting your Social Security at age 62 is about 20 percent; at age 63, it is about  $13\frac{1}{3}$  percent; and at age 64, it is about  $6\frac{2}{3}$  percent.

## Age To Receive Full Social Security Benefits

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Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

If your full retirement age is older than 65 (that is, you were born after 1937), you still will be able to take your retirement benefits at age 62, but the reduction in your benefit amount will be greater than it is for people retiring now.



Here's how it works. If your full retirement age is 67, the reduction for starting your benefits at 62 is about 30 percent; at age 63, it's about 25 percent; at age 64, about 20 percent; at age 65, about 13<sup>1</sup>/<sub>3</sub> percent; and at age 66, about 6<sup>2</sup>/<sub>3</sub> percent.

As a general rule, early retirement will give you about the same total Social Security benefits over your lifetime, but in smaller amounts to take into account the longer period you will receive them.

Some people stop working before they reach age 62. In that case, it's important to remember that during years with no earnings, you miss the opportunity to increase your benefit amount by replacing lower earnings years with higher earnings years.

***Here's An Important Point:*** Sometimes poor health forces people to retire early. If you are unable to continue working because of poor health, you should consider applying for Social Security disability benefits. The amount of the disability benefit is the same as a full, unreduced retirement benefit. If you are receiving Social Security disability benefits when you reach full retirement age, those benefits will be converted to retirement benefits. For more information, call us to ask for a copy of the booklet, *Disability Benefits* (Publication No. 05-10029).

## **Delayed Retirement**

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Not everyone retires at full retirement age. You may decide to continue working full time beyond that time. In that case, you can increase your Social Security benefit in two ways.

- Each additional year you work adds another year of earnings to your Social Security record. Higher lifetime earnings may result in higher benefits when you retire.

- In addition, your benefit will be increased by a certain percentage if you delay retirement. These increases will be added in automatically from the time you reach your full retirement age until you start taking your benefits, or you reach age 70. The percentage varies depending on your year of birth. See the chart below for the increase that will apply to you.

For example, if you were born in 1943 or later, we will add eight percent per year ( $\frac{2}{3}$  of 1 percent per month) to your benefit for each year you delay signing up for Social Security beyond your full retirement age.

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### Increases For Delayed Retirement

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Year of Birth	Yearly Rate of Increase
1917—1924	3%
1925—1926	3.5%
1927—1928	4%
1929—1930	4.5%
1931—1932	5%
1933—1934	5.5%
1935—1936	6%
1937—1938	6.5%
1939—1940	7%
1941—1942	7.5%
1943 or later	8%

***Here's An Important Point:*** If you decide to delay your retirement, **be sure to sign up for Medicare at age 65.** In some circumstances, medical insurance costs more if you delay applying for it. Other information about Medicare is on Page 15.

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## Choosing Your Retirement Date

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If you plan to start your retirement benefits after age 62, it is a good idea to contact Social Security in advance to see which month is best to claim benefits. In some cases, your choice of a retirement month could mean additional benefits for you and your family.

It may be to your advantage to have your Social Security benefits start in January, even if you don't plan to retire until later in the year. Depending on your earnings and your benefit amount, it may be possible for you to start collecting benefits even though you continue to work. Under current rules, many people can receive the most benefits possible with an application that is effective in January.

If you are not working, or your annual earnings are under the earnings limits explained on Page 12, or you plan to start collecting your Social Security when you turn 62, you should apply for benefits three months before the date you want your benefits to start.

Because the rules are complicated, we urge you to discuss your plans with a Social Security claims representative in the year **before** the year you plan to retire.

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## Retirement Benefits For Widow(er)s

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Widow(er)s can begin receiving benefits at age 60 or age 50 if disabled. If you are receiving widows or widowers (including divorced widows or widowers) benefits, you can switch to your own retirement benefits—assuming you're eligible and your retirement rate is higher than your widow(er)'s rate—as early as age 62. In many cases, a widow(er) can begin receiving one benefit at a reduced rate and then switch to the other benefit at an unreduced rate at full retirement age. The rules vary depending on the situation, so you should talk to a Social Security representative about the options available to you.

## Part 2—About Family Benefits

### **Benefits For Family Members**

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If you're receiving retirement benefits, some members of your family also can receive benefits. Those who can include:

- your wife or husband age 62 or older;
- your wife or husband under age 62, if she or he is taking care of your child who is under age 16 or disabled;
- your former wife or husband age 62 or older (see "Benefits For A Divorced Spouse" on Page 10);
- children up to age 18;
- children age 18-19, if they are full-time students through grade 12; and
- children over age 18, if they are disabled.

### **Spouse's Benefits**

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A spouse receives one-half of the retired worker's full benefit unless the spouse begins collecting benefits before age 65. In that case, the amount of the spouse's benefit is permanently reduced by a percentage based on the number of months before she or he reaches 65. For example, if your spouse begins collecting benefits at 64, the benefit amount would be about 46 percent of your full benefit. At age 63, it would be about 42 percent, and 37.5 percent at age 62. However, if your spouse is taking care of a child who is under age 16 or disabled and receiving Social Security benefits, your spouse gets full benefits, regardless of age.

If you're eligible for both your own retirement benefits and for benefits as a spouse, we always pay your own benefit first. If your benefit as a spouse is higher than your retirement benefit, you'll get a combination of benefits equaling the higher spouse benefit.

Here's an example:

Mary Ann qualifies for a retirement benefit of \$250 and a wife's benefit of \$400. At age 65, she will receive her own \$250 retirement benefit and we will add \$150 from her wife's benefit, for a total of \$400. If she takes her retirement benefit at any time before she turns 65, both amounts will be reduced.

### **Maximum Family Benefits**

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If you have children eligible for Social Security, each will receive up to one-half of your full benefit. But there is a limit to the amount of money that can be paid to a family. If the total benefits due your spouse and children exceed this limit, their benefits will be reduced proportionately. Your benefit will not be affected.

### **Benefits For A Divorced Spouse**

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A divorced spouse can get benefits on a former husband's or wife's Social Security record if the marriage lasted at least 10 years. The divorced spouse must be 62 or older and unmarried. If the spouse has been divorced at least two years, he or she can get benefits, even if the worker is not retired. However, the worker must have enough credits to qualify for benefits and be age 62 or older. The amount of benefits a divorced spouse gets has no effect on the amount of benefits a current spouse can get.

## Part 3—What You Need To Know When You’re Eligible For Retirement Benefits

### **How Do You Sign Up For Social Security?**

You can call our toll-free number, 1-800-772-1213, to apply for benefits or to make an appointment to visit any Social Security office to apply in person.

Depending on your circumstances, you will need some or all of the documents listed below. But don’t delay applying for benefits because you don’t have all the information. If you don’t have a document you need, we can help you get it.

#### **Information Needed:**

- your Social Security number;
- your birth certificate;
- your W-2 forms or self-employment tax return for last year;
- your military discharge papers if you had military service;
- your spouse’s birth certificate and Social Security number if he or she is applying for benefits;
- children’s birth certificates and Social Security numbers, if applying for children’s benefits;
- proof of U.S. citizenship or lawful alien status if you (or a spouse or child is applying for benefits) were not born in the U.S.; and
- the name of your bank and your account number so your benefits can be directly deposited into your account.

You will need to submit original documents or copies certified by the issuing office. You can mail or bring them to Social Security. We will make photocopies and return your documents.

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## Right To Appeal

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If you disagree with a decision made on your claim, you can appeal it. The steps you can take are explained in the factsheet, *The Appeals Process* (Publication No. 05-10041), which is available from Social Security.

You have the right to be represented by an attorney or other qualified person of your choice. More information is in the factsheet, *Your Right To Representation* (Publication No. 05-10075), which also is available from Social Security.

## If You Work And Get Social Security At The Same Time

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You can continue to work and still get retirement benefits. Earnings in, or after, the month you reach age 70 won't affect your Social Security benefits. However, before age 70, your benefits will be reduced if your earnings exceed certain limits.

- **If you are under 65**, \$1 in benefits will be deducted for each \$2 in earnings above the limit.
- **If you are 65 through 69**, \$1 in benefits will be deducted for each \$3 in earnings above the limit.

These limits increase each year as average wages increase. For the current amounts, contact Social Security to ask for the leaflet, *How Work Affects Your Benefits* (Publication No. 05-10069).

If other family members receive benefits on your Social Security record, **the total family benefits will be affected by your earnings**. This means we will offset not only your benefits, but those payable to your family as well. If a family member works, however, **the family member's earnings affect only his or her benefits**.

If during the year, your earnings are higher or lower than you estimated, let us know as soon as possible so we can adjust your benefits.

## **A Special Monthly Rule**

A special rule applies to your earnings for one year, usually your first year of retirement. Under this rule, you can receive a full Social Security check for any **month** you are “retired,” regardless of your yearly earnings. Your earnings must be under a monthly limit. If you’re self-employed, the services you perform in your business are taken into consideration as well.

If you want more information on how earnings affect your retirement benefit, call us to ask for a copy of the leaflet, *How Work Affects Your Benefits* (Publication No. 05-10069). This leaflet has the figures for the current annual and monthly earnings limits.

## **Your Benefits May Be Taxable**

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About 20 percent of people who get Social Security have to pay taxes on their benefits. This provision affects only people who have substantial income in addition to their Social Security.

At the end of each year, you will receive a *Social Security Benefit Statement* (Form SSA-1099) in the mail showing the amount of benefits you received. You can use this statement when you are completing your federal income tax return to find out if any of your benefits are subject to tax.

For more information, call the Internal Revenue Service’s toll-free telephone number, 1-800-829-3676, to ask for Publication 554, *Tax Information for Older Americans*, and Publication 915, *Social Security Benefits and Equivalent Railroad Retirement Benefits*.



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## **Pensions From Work Not Covered By Social Security**

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If you get a pension from work where you paid Social Security taxes, it will **not** affect your Social Security benefits. However, if you get a pension from work that was not covered by Social Security—for example, the federal civil service, some state or local government employment or work in a foreign country—your Social Security benefit may be lowered or offset.

For more information, call Social Security to ask for the factsheets, *Government Pension Offset*—for government workers who may be eligible for Social Security benefits on the record of a husband or wife (Publication No. 05-10007)—and *A Pension From Work Not Covered By Social Security*—for people who worked in another country or for government workers who also are eligible for their own Social Security benefits (Publication No. 05-10045).

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## **Leaving The United States**

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If you are a United States citizen, you can travel or live in most foreign countries without affecting your eligibility for Social Security benefits. However, there are a few countries—Cambodia, Cuba, North Korea, Vietnam and many of the former U.S.S.R. republics (except Estonia, Latvia, Lithuania and Russia)—where we cannot send Social Security checks.

If you work outside the United States, different rules apply in determining if you can get your benefit checks.

Most people who are neither U.S. residents nor U.S. citizens will have 25.5 percent of their benefits withheld for federal income tax.

For more information, call us to ask for a copy of the booklet, *Your Social Security Payments While You Are Outside the United States* (Publication No. 05-10137).

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## **A Word About Medicare**

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Medicare is a health insurance plan for people who are 65 or older. People who are disabled or have permanent kidney failure can get Medicare at any age.

Medicare has two parts—hospital insurance and medical insurance. Most people have both parts.

Hospital insurance, sometimes called Part A, covers inpatient hospital care and certain follow-up care. You already have paid for it as part of your Social Security taxes while you were working.

Medical insurance, sometimes called Part B, pays for physicians' services and some other services not covered by hospital insurance. Medical insurance is optional, and a premium is charged.

If you're already getting Social Security benefits when you turn 65, your Medicare (Part A) starts automatically. If you're not getting Social Security, you should sign up for Medicare close to your 65th birthday, even if you aren't ready to retire. For more information, call us to ask for the booklet, *Medicare* (Publication No. 05-10043).

### **Help for Low-Income Medicare Beneficiaries**

If you have a low income and few resources, your state may pay your Medicare premiums and, in some cases, other "out-of-pocket" Medicare expenses, such as deductibles and coinsurance.

Only your state can decide if you qualify for help under this program. If you think you may qualify, contact your state or local medical assistance (Medicaid) agency, social services or welfare office. For more information, contact Social Security to request a copy of the leaflet, *Medicare Savings For Qualified Beneficiaries* (HCFA Publication No. 02184).

## For More Information

Recorded information and services are available 24 hours a day, including weekends and holidays, by calling Social Security's toll-free number, **1-800-772-1213**. You can call for an appointment or to speak to a service representative between the hours of 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month, so, if your business can wait, it's best to call at other times. Whenever you call, have your Social Security number handy.

You can also access Social Security information on the Internet at [www.ssa.gov](http://www.ssa.gov).

People who are deaf or hard of hearing may call our toll-free "TTY" number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

The Social Security Administration treats all calls confidentially—whether they're made to our toll-free numbers or to one of our local offices. We also want to make sure that you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

## Other Booklets Available

Social Security has a number of publications that contain information about other Social Security programs. Contact Social Security to get a free copy of any of these publications. They include:

- *Social Security—Understanding The Benefits* (Publication No. 05-10024)—comprehensive explanation of all the Social Security programs;
- *Social Security—Disability Benefits* (Publication No. 05-10029)—explains Social Security disability benefits;
- *Medicare* (Publication No. 05-10043)—explains Medicare hospital insurance and medical insurance;
- *Social Security—Survivors Benefits* (Publication No. 05-10084)—explains Social Security survivors benefits; and
- *Social Security—Supplemental Security Income* (Publication No. 05-11000)—explains this program which provides a basic income to people 65 or older, disabled or blind who have limited income and resources.



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